

FUND 945

FCRHA NON-COUNTY APPROPRIATED REHABILITATION LOAN PROGRAM

AGENCY MISSION

To enhance the quality and economic life of existing housing in the County through the provision of affordable loans for housing improvement and rehabilitation to qualifying low-income homeowners or homeowners living in areas targeted for improvement.

AGENCY SUMMARY

Category	FY 1999 Actual	FY 2000 Adopted Budget Plan	FY 2000 Revised Budget Plan	FY 2001 Advertised Budget Plan	FY 2001 Adopted Budget Plan
Expenditures:					
Operating Expenses	\$86,443	\$348,452	\$358,265	\$350,157	\$350,157
Total Expenditures	\$86,443	\$348,452	\$358,265	\$350,157	\$350,157

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2001 Advertised Budget Plan, as approved by the Board of Supervisors on April 24, 2000:

- The Board of Supervisors made no changes to the FY 2001 Advertised Budget Plan.

County Executive Proposed FY 2001 Advertised Budget Plan



Agency Overview

Fund 945 provides the Fairfax County Redevelopment and Housing Authority (FCRHA) portion of funding for the Home Improvement Loan Program (HILP). This fund works in conjunction with County appropriated funding available for home and rental improvement loans in Fund 143, Homeowner and Business Loan Programs, and Fund 142, Community Development Block Grant (CDBG). All administrative costs for this program, including position salaries and associated overhead, are budgeted in Fund 940, FCRHA General Operating. There are three major sources of funding support for the Home Improvement Loan Program: bank loans negotiated by the FCRHA and funds from the repayment of both County and CDBG loans made in previous years. In addition, there are other funds that are used for home improvement activities, when available, i.e., Federal HOME funds, Federal rental rehabilitation funds, and the Virginia State Housing and Community Development Funds. An amount of \$350,157 is budgeted within Fund 945 for the Home Improvement Loan Program in FY 2001.

One funding source in FY 2001 includes agreements with a local bank to lend funds at below-market interest rates to qualified homeowners. In FY 2001, \$150,000 in below-market loans will be provided to homeowners from the bank. Resources supporting this program through Fund 945 also include contributions made by homeowners toward the cost of improvements. An amount of \$100,000 is included for this purpose in FY 2001. Other revenue included in this fund are loan payments on prior-year mortgage commitments totaling \$90,157 and \$10,000 in other loan repayments. All available funds will be combined with resources from Fund 142, CDBG, in various financial packages to increase the level of activity for the rehabilitation loan program. Because the same reporting requirements apply to all components of the home improvement loan program, regardless of funding source, all funding sources/funds are discussed together.

FUND 945

FCRHA NON-COUNTY APPROPRIATED REHABILITATION LOAN PROGRAM

Administration of the Home Improvement Loan Program:

Loan application processing, loan underwriting, and construction payments are handled by the Department of Housing and Community Development (DHCD). DHCD also services many of these loans. A number of services related to securing a home improvement loan also are provided that typically would not be provided by a bank, including:

Financial Assistance - Time is taken to identify the loan most suitable for the applicant. The various loan options available are analyzed to provide financing tailored to meet the borrower's needs. When needed, DHCD staff assists applicants in obtaining financial counseling, social services, and tax relief. All home improvement loans are secured by a lien on the borrower's home.

Rehabilitation Assistance - DHCD rehabilitation staff provides technical support to borrowers concerning required/necessary improvements, selecting a contractor, and inspecting construction progress. This support includes developing rehabilitation plans, construction documents and drawings, and assistance in bidding and awarding a contract, obtaining permits, and supervising construction.

County Funds - In the past County Funds have been provided in support of this program. In FY 2001, no new General Fund support for Home Improvement Loans is included. However, funding of \$285,159 in Fund 143, Homeowner and Business Loan Programs, supported by the repayment of existing loans, will provide for approximately 14 new commitments in FY 2001.

Types of Home Improvement Loans and Grants include:

- Amortized Loans at Below-Market Rates - Funds may be lent at rates below prevailing market interest rates to income-eligible borrowers. These loans require full repayment through monthly principal and interest payments.
- Deferred Payment Loans - Deferred loans with varying terms are used in a number of different circumstances. Repayment may be deferred until the sale or transfer of the property. Interest on a deferred loan may be accrued until the loan is repaid or may accrue only for a certain number of years. For some types of deferred loans, no interest is charged. In other cases, where a deferred loan is used to reduce the effective interest rate of a bank loan, the deferred loan is forgiven over a specified period. These various options are designed to provide flexibility in the loan program to assist borrowers in securing needed funds for home improvements within their economic means. Deferred loans are often used to supplement the amount that a homeowner can afford to borrow from bank loan funds or to reduce the effective interest rate on a bank loan.
- Grants - Occasionally grants are made when the borrower cannot afford the loan payments and when it is not possible to record a lien on a property to secure a deferred trust.
- Special types of loans – Special loans have been developed to serve homeowners with specific needs such as “No Equity Loans.” These are either interest-bearing deferred trusts or amortized loans for homeowners who have insufficient equity to meet normal loan guidelines but whose homes have code violations and/or need energy upgrades. Another example is the Mobile Home Loan or Grant to assist low-income mobile homeowners to make repairs that address health and safety code violations.

FUND 945

FCRHA NON-COUNTY APPROPRIATED REHABILITATION LOAN PROGRAM

- Bank Loans in Combination or Independent from FCRHA Loans - An important source of funds for home improvements is from loans that the DHCD negotiates with local banks or savings and loans. These funds are lent directly to owner occupants in conjunction with a forgiven deferred trust to reduce interest rates. These bank funds require no obligation by or recourse to the County or FCRHA and require no compensating balance. The bank portions of these loans are bank serviced. These loans either involve complete assistance by HILP throughout the rehabilitation process or reduced assistance with the direct lending program when the owner has the ability to complete any or all portions of rehabilitation, minimizing staff assistance.
- Federal Rental Rehabilitation - In past years, funding for multi-family rehabilitation was provided by the HUD grant-supported Rental Rehabilitation Program, which is budgeted in Fund 142, CDBG. However, the Cranston-Gonzalez National Affordable Housing Act of 1990 canceled the Rental Rehabilitation Program as of October 1, 1991, and consolidated it and other programs under the Home Investment Partnerships Program. The County will receive no additional new rental rehabilitation grants. However, some revenue may be received from previous grants and loan payoffs. As part of the FY 2001 project selection process for CDBG, funding will be requested for projects that have been supported by CDBG in the past. This request will include Fairfax City's participation with the County's CDBG program as a result of an interjurisdictional agreement. Final approval for funding these projects will be made in April 2000. Major funding for the HILP will be requested from the CDBG to support all HILP activity including mobile home grants.

Administration of the Home Improvement Loan Program is funded in FY 2001 in Fund 940, FCRHA General Operating. The funds to support the administration of the program come from origination fees on loans processed, fees earned for construction administration for projects funded through other means, and interest earned on the repayment of existing loans made in prior years.

Estimated funding available in FY 2001 for new rehabilitation loans includes:

<u>Home Improvement Loan Source:</u>	<u>Amount</u>
Fund 945, Non-County Appropriated Rehabilitation Loans ¹	\$250,000
Fund 142, Community Development Block Grant	300,000
Fund 143, Homeowner and Business Loan Program ²	<u>285,159</u>
Total, Home Improvement Loan Program	\$835,159

¹ Includes funding for new loans and homeowner contributions only.

² Represents funding available after netting out administrative expenses.



Funding Adjustments

The following funding adjustments reflect all approved changes to the FY 2000 Revised Budget Plan since the passage of the FY 2000 Adopted Budget Plan. Included are all adjustments made as part of the FY 1999 Carryover Review and all other approved changes through December 31, 1999:

- As part of the FY 1999 Carryover Review, an increase of \$9,813 was necessary to carryover unencumbered funding to continue projects in Fairfax City utilizing funds from prior Fairfax City loans.

FUND 945

FCRHA NON-COUNTY APPROPRIATED REHABILITATION LOAN PROGRAM

FUND STATEMENT

Fund Type H94, Special Revenue Funds

Fund 945, Non-County Appropriated
Rehabilitation Loan Fund

	FY 1999 Actual	FY 2000 Adopted Budget Plan	FY 2000 Revised Budget Plan	FY 2001 Advertised Budget Plan	FY 2001 Adopted Budget Plan
Beginning Balance	\$210,661	\$223,085	\$227,361	\$243,691	\$243,691
Revenue:					
Bank Funds	\$0	\$150,000	\$150,000	\$150,000	\$150,000
Other (Pooled Interest, etc.)	0	8,520	8,520	7,894	7,894
Homeowners Loan Payments ¹	39,534	38,044	38,044	39,749	39,749
Homeowners Contributions	6,432	100,000	100,000	100,000	100,000
Island Walk Loan	46,427	50,408	68,031	50,408	50,408
Fairfax City Rehab. Loans	10,750	10,000	10,000	10,000	10,000
Total Revenue	\$103,143	\$356,972	\$374,595	\$358,051	\$358,051
Total Available	\$313,804	\$580,057	\$601,956	\$601,742	\$601,742
Expenditures:					
New Loans	\$0	\$150,000	\$150,000	\$150,000	\$150,000
FCRHA Loan Payments to Banks ¹	32,087	38,044	38,044	39,749	39,749
Homeowners Contributions	3,949	100,000	100,000	100,000	100,000
Island Walk Loan	50,407	50,408	50,408	50,408	50,408
Fairfax City Rehab. Loans	0	10,000	19,813	10,000	10,000
Total Expenditures	\$86,443	\$348,452	\$358,265	\$350,157	\$350,157
Total Disbursements	\$86,443	\$348,452	\$358,265	\$350,157	\$350,157
Ending Balance	\$227,361	\$231,605	\$243,691	\$251,585	\$251,585

¹ This category of receipts and expenditures is recorded in FAMIS, the County's financial system, via journal entries from mortgage servicing reports. Cash transactions are handled by the respective commercial banks servicing each homeowner loan and are not processed by the County.